

Message Text

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PAGE 01 BRUSSE 05902 01 OF 02 091812Z
ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-07 FRB-01 INR-07 NSAE-00 EPG-02 SP-02 STR-04
TRSE-00 LAB-04 SIL-01 OMB-01 OIC-02 L-03 AGRE-00
FEAE-00 OES-07 NEA-10 IGA-02 INT-05 /091 W
-----091826Z 005034 /42

R 091729Z JUN 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 0181
INFO ALL EC CAPITALS
USMISSION GENEVA

UNCLAS SECTION 01 OF 02 BRUSSELS 05902

USEEC
PARIS ALSO FOR OECD
GENEVA PASS TO ILO DEL ROBERT SENSER

E.O.11652:N/A
TAGS: EEC, ECIN, ELAB, ECON
SUBJECT: EC TRIPARTITE CONFERENCE JUNE 27

REF: 76 EC BRUSSELS 6307

1. THE THIRD EC ECONOMIC AND SOCIAL TRIPARTITE CONFERENCE, GROUPING REPRESENTATIVES OF COMMUNITY BUSINESS, TRADE UNIONS AND MEMBER STATE GOVERNMENTS, IS SCHEDULED TO BE HELD IN LUXEMBOURG ON JUNE 27. THE EC COMMISSION HAS PREPARED A DOCUMENT TO SERVE AS A BASIS FOR DISCUSSION AT THE CONFERENCE. THE COMPLETE TEXT OF THIS DOCUMENT IS BEING SUBMITTED BY AIRGRAM. A SUMMARY OF ITS PRINCIPAL PARTS FOLLOWS.

2. PAPER STATES THAT SOME PROGRESS, BUT NOT MUCH, HAS BEEN MADE TOWARD GOALS ADOPTED AT THE JUNE 1976 TRIPARTITE CONFERENCE TO INCREASE ECONOMIC GROWTH, IMPROVE THE BALANCE OF PAYMENTS AND REDUCE UNEMPLOYMENT AND INFLATION.

UNCLASSIFIED

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PAGE 02 BRUSSE 05902 01 OF 02 091812Z

SPECIFICALLY, THE EC IS BELOW ITS GROWTH TARGET; THE REDUCTION IN THE INFLATION RATE HAS BEEN MODEST AND THE REAL SPREAD OF RATES BETWEEN THE MEMBER STATES REMAINS WIDE; THERE HAS BEEN NO INCREASED CONVERGENCE IN MEMBER STATE ECONOMIES AND THERE HAS BEEN NO REAL PROGRESS ON EMPLOYMENT. ACHIEVEMENTS IN THE PAST YEAR HAVE BEEN BELOW WHAT HAD BEEN HOPED FOR DESPITE THE FACT THAT

POLICIES FOLLOWED HAVE BEEN MORE OR LESS IN LINE WITH THOSE THAT WERE RECOMMENDED. CONCLUSION IS THAT PROBLEMS WERE MORE SERIOUS THAN REALIZED.

3. MAJOR TASK IS TO ATTAIN FULL INVOLVEMENT OF THE SOCIAL PARTNERS AND GOVERNMENTS IN CREATING ENVIRONMENT IN WHICH ALL ARE CONFIDENT THAT ACCEPTANCE OF CHANGE WILL BRING BENEFITS FOR ALL. THIS REQUIRES A MORE OPEN APPROACH TO DISCUSSION OF ECONOMIC AND SOCIAL OBJECTIVES AND MEANS BY WHICH THEY COULD BE ACHIEVED.

4. COMMISSION SETS OUT PROTECTIONISM AS A POLICY TO BE AVOIDED. THE STRONG DEPENDENCE OF MEMBER STATES ON IMPORTS OF RAW MATERIALS AND ENERGY MAKES SUCH AN APPROACH INCONCEIVABLE. MOREOVER, SUCH POLICY WOULD INVITE SWIFT RETALIATION AND ULTIMATELY REDUCE THE REAL INCOMES OF EVERYBODY. THE EC MUST CONTINUE TO BE OPPOSED IN PRINCIPLE TO TRADE BARRIERS AND MARKET SHARING ARRANGEMENTS WHICH ACT AS TRADE BARRIERS SINCE THESE REDUCE LONG-RUN POTENTIAL FOR GROWTH. EC IS LIKEWISE OPPOSED TO EXCHANGE RATE MANIPULATIONS WHICH ARE AKIN TO COMPETITIVE DEVALUATIONS. THIS DOES NOT EXCLUDE MEASURES AGAINST DUMPING OR UNFAIR TRADE PRACTICES OR TEMPORARY ARRANGEMENTS JUSTIFIED IN SPECIAL CIRCUMSTANCES. BUT THESE ARE EXCEPTIONS TO BE USED ONLY IN ORDER TO RE-ESTABLISH A LONGER TERM OPEN MARKET.

5. COMMISSION NOTES THAT BASIC ECONOMIC POLICIES NEED TO DIFFER AMONG MEMBER STATES BECAUSE OF THEIR DIVERGENCE IN PERFORMANCE. WHERE BALANCE OF PAYMENTS IS WEAK AND UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BRUSSE 05902 01 OF 02 091812Z

INFLATION IS HIGH, PRINCIPLE AIM MUST BE TO CURTAIL COST INCREASES AND SHIFT RESOURCES TO EXPORTS AND COMPETITION WITH IMPORTS. WHERE BALANCE OF PAYMENTS IS STRONG AND INFLATION LOW, CAPITAL EXPORTS NEED TO BE ENCOURAGED AND DOMESTIC DEMAND KEPT AT A HIGH LEVEL, WITHOUT RE-KINDLING INFLATION. DEVELOPED COUNTRIES AND OPEC COUNTRIES NEED TO INCREASE AID AND CAPITAL EXPORTS TO HELP NON-OIL PRODUCING LDCS TO MAINTAIN THEIR IMPORT CAPACITY. IN ALL MEMBER STATES THERE IS AN URGENT NEED TO RAISE LEVEL OF INVESTMENT. THERE IS A PARTICULAR NEED TO INSURE THAT A SUFFICIENT PIPELINE OF PUBLIC SECTOR INVESTMENT PROJECTS EXISTS. CAPACITY OF SMALL AND MEDIUM SIZED FIRMS TO CREATE JOBS SHOULD NOT BE UNDER ESTIMATED; SPECIAL FINANCIAL ARRANGEMENTS WOULD GIVE THEM THE SAME POSSIBILITIES AS LARGER GROUPS.

6. INCREASING INTER-DEPENDENCE OF PRINCIPAL WORLD TRADING PARTNERS CALLS FOR GREATER COORDINATION OF ECONOMIC POLICIES. THIS IMPLIES SEARCH FOR GREATER

COHERENCE BETWEEN INTERNAL AND EXTERNAL POLICIES.
COMMISSION PROGRAM FOR RESTRUCTURING THE STEEL INDUSTRY
SHOULD BE SEEN IN THIS LIGHT. THE EC HAS A SPECIAL
RESPONSIBILITY FOR STEEL BUT, WITHOUT PRE-JUDGING THE
MEANS, STEEL EXPERIENCE COULD BE RELEVANT TO OTHER
SECTORS.

7. EFFORTS TO INCREASE EMPLOYMENT MUST CONTINUE.
SPECIFIC MEASURES TO AID YOUTH AND WOMEN IN THIS FIELD
ARE NECESSARY. FURTHER EFFORTS ARE NECESSARY TO REDUCE
INFLATION. THE GROWTH OF MONEY INCOMES AND THE LEVEL OF
PRICES SHOULD BE KEPT IN LINE WITH OBJECTIVE ECONOMIC
CRITERIA. ACTION SHOULD BE CONTINUED TO PROMOTE WORKERS'
OWNERSHIP OF ASSETS AND THEIR PARTICIPATION IN COMPANY

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PAGE 01 BRUSSE 05902 02 OF 02 091814Z
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UNCLAS SECTION 02 OF 02 BRUSSELS 05902

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DECISION MAKING. THE COMMISSION WILL WORK TOWARD BETTER
COORDINATION OF THE EC SOCIAL AND REGIONAL FUNDS, FEOGA,
ECSC AND THE EUROPEAN INVESTMENT BANK TO MAXIMIZE THE
CONTRIBUTION THAT COMMUNITY MONEY CAN MAKE TO RAISING
THE LEVEL OF EMPLOYMENT. BECAUSE RECESSION HAS KEPT EC
REVENUES FROM RISING ENOUGH TO MEET NEEDS, COMMISSION IS
EXAMINING POSSIBILITY OF FLOATING A LOAN WHICH COULD BE
USED TO INTENSIFY STRUCTURAL PROGRAMS.

8. PAPER RECOGNIZES THAT ACTIONS OUTLINED ABOVE MAY BE INSUFFICIENT. OTHER MEASURES ARE CONTROVERSIAL AND NEED FURTHER DEBATE. AMONG THESE ARE THE EC FUTURE POSITION IN WORLD ECONOMY. THE EC NEEDS TO IDENTIFY WHERE ITS COMPARATIVE ADVANTAGE LIES IN TERMS OF TRADE AND WHAT EFFECT THIS WILL HAVE ON EMPLOYMENT, BEARING IN MIND LDC NEEDS. PROBLEM OF SECTORAL AND REGIONAL RECONVERSIONS MUST BE EXAMINED. LONGER TERM RELATIONSHIP BETWEEN THE GROWTH OF INVESTMENT, THE ACHIEVEMENT OF IMPROVED LIVING

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PAGE 02 BRUSSE 05902 02 OF 02 091814Z

STANDARDS AND THE MAINTENANCE OF FULL EMPLOYMENT MUST BE EXAMINED. QUESTIONS OF PART-TIME WORK AND SHIFT WORK NEED TO BE LOOKED INTO. AN IMPROVEMENT IN WORKING CONDITIONS COULD MAKE ATTRACTIVE JOBS WHICH ARE NO LONGER CONSIDERED DESIRABLE. LIMITED EXPANSION OF PUBLIC SECTOR EMPLOYMENT MAY BE POSSIBLE.

9. PAPER CONCLUDES BY NOTING THAT NONE OF THE PARTIES PRESENT AT THE CONFERENCE ALONE HOLDS THE KEY TO ACTION. MEMBER STATES, THE COMMUNITY, EMPLOYERS AND WORKERS ARE EACH RESPONSIBLE FOR SOME OF THESE INSTRUMENTS. BY WORKING TOGETHER, THEY CAN ACHIEVE OBJECTIVES OF GROWTH, STABILITY AND FULL EMPLOYMENT. HINTON

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